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FARMERS' NEWSLETTER

Soybeans



September 80/S-14

As the 1980 soybean harvest gains momentum, you should be finalizing your marketing plans. Drought-reduced crops and rising soybean production costs make your marketing decisions particularly important this year.

Right now, the major factors affecting the soybean outlook, including the worldwide oilseed situation, point to sharply higher prices for your 1980-crop beans. Here's a rundown:

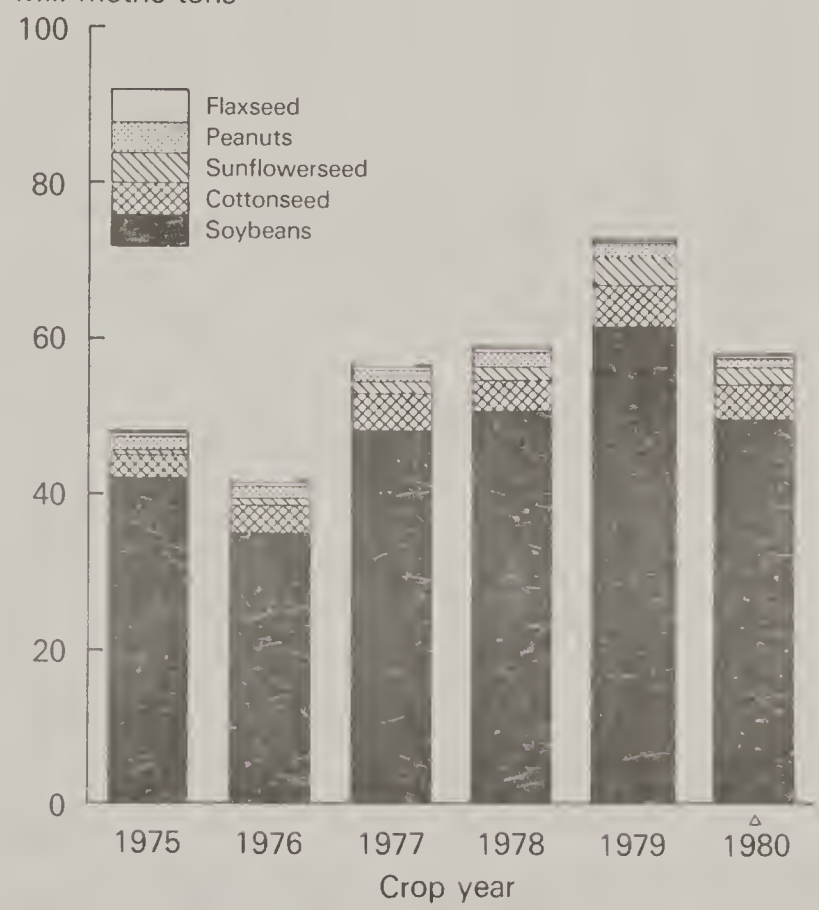
- U.S. soybean production down 19 percent. As of September 1, the crop was projected at 49.8 million tons (1.83 billion bushels). While the drought has affected soybeans in all major producing areas, the South Central States suffered the greatest relative drop in production--35 percent.
- Total U.S. oilseed production down 20 percent, at 57.8 million tons. Like soybeans, output of cottonseed, peanuts, flaxseed, and sunflowerseed is also down sharply. But total oilseed carry-over stocks on September 1 were higher than last year, offsetting the reduced production.
- World soybean production down 11 percent, at 83 million metric tons. The drop mainly reflects reduced U.S. crops. We'll account for 60 percent of total world output this year, as our share drops 6 percent from 1979/80.

The 1980/81 South American soybean crop will be planted in December for harvest next April. It's currently projected at 20 million tons, about 1 million tons above this season's record high. The rise will be due to a slight acreage increase and better yields (primarily in Argentina).

- Total world oilseed output down 12 percent, at 164 million metric tons.
- Stronger U.S. demand. Protein meal demand and use probably will be off slightly in the year ahead, as hog production turns down. But edible oil use should continue to rise modestly, about in line with population growth, in spite

U.S. OILSEED PRODUCTION DROPS

Mil. metric tons



^ΔSeptember Crop Report.

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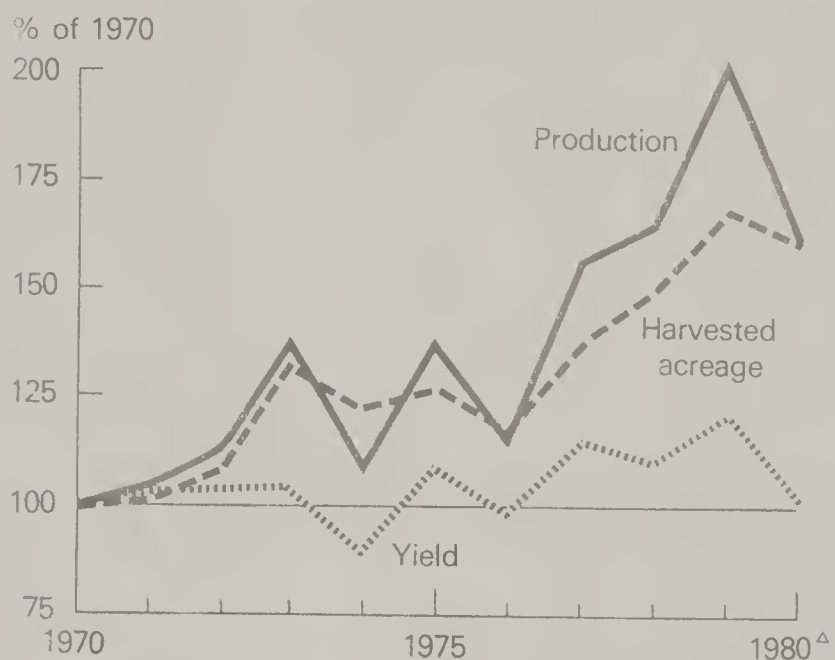
of the weak economic outlook. But since oil stocks will remain relatively high, soybean meal demand will determine the volume of soybeans crushed.

- Continued strong world demand for oilseeds and products. But the expansion will be less rapid than last year, due to higher prices and lower world production.

U.S. Soybean Supply Off a Tenth

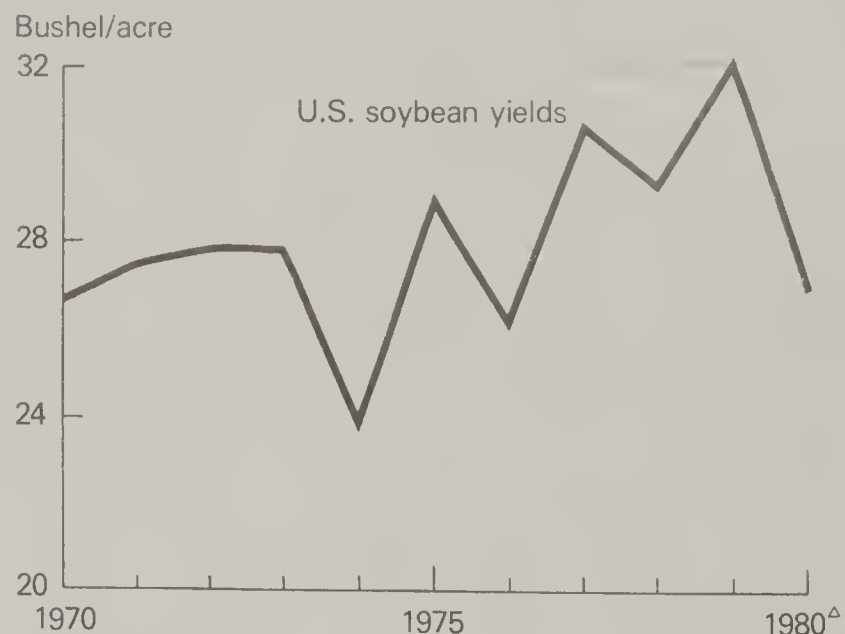
Soybean supplies for 1980/81 total 2.2 billion bushels compared with last

DROUGHT CUTS U.S. SOYBEAN OUTPUT...



^ΔSeptember Crop Report.

... AS YIELD PER ACRE FALLS TO LOWEST LEVEL SINCE 1976



^ΔSeptember Crop Report.

year's record high 2.4 billion. This year's drop in production will be cushioned by the 359 million bushels carried over on September 1.

Domestic crush and exports of soybeans probably will decline slightly, due to tight supplies and high prices. Nevertheless, soybean carryover stocks next September may be drawn down to the low level of 0.2 billion bushels, some 40 percent below this year. This would equal about 1-1/3 months' crush and export requirement.

Soybean Prices Climb

Soybean prices at Chicago (No. 1 yellow) jumped from about \$6 per bushel in May-June to around \$8 in mid-September--approximately \$1 above a year ago, when prices were falling. Prices rallied during the summer as the hot, dry weather shriveled 1980 soybean crop prospects.

Soybean prices are expected to continue strong and average nearly a third above the 1979/80 farm price of \$6.25 per

U.S. SOYBEAN SUPPLY DECLINES

Year beginning September 1	1978/79	1979/80 ¹	1980/81 ²
<i>Million bushels</i>			
Beginning stocks . . .	161	174	359
Production	1,870	2,268	1,831± 100
Total supply	2,031	2,442	2,190± 100
Crushings.	1,018	1,121	1,050± 50
Exports.	739	873	835± 50
Seed, etc..	100	89	95
Total use.	1,857	2,083	1,980± 75
Ending stocks	174	359	210± 75
<i>Dollars per bushel</i>			
Farm price	6.66	6.25	8.20± 1.25
Loan rate.	4.50	4.50	5.02

¹ Estimated. ² Projected.

ALL MAJOR SOYBEAN AREAS HIT BY DROUGHT

Region	1979	1980 ¹	Change	
	<i>Million bushels</i>		<i>Mil. bu.</i>	<i>Percent</i>
Eastern Corn Belt ² . .	1,343	1,169	-174	-13
Western Corn Belt ³ . .	123	90	-33	-27
South Central ⁴	477	308	-169	-35
Southeast ⁵	201	155	-46	-23
All other States	124	109	-15	-12
United States	2,268	1,831	-437	-19

¹ September 1 indications. ² Includes Ohio, Indiana, Illinois, Iowa, Missouri, and Minnesota. ³ Includes North Dakota, South Dakota, Nebraska, and Kansas. ⁴ Includes Kentucky, Tennessee, Mississippi, Arkansas, and Louisiana. ⁵ Includes North Carolina, South Carolina, Georgia, and Alabama.

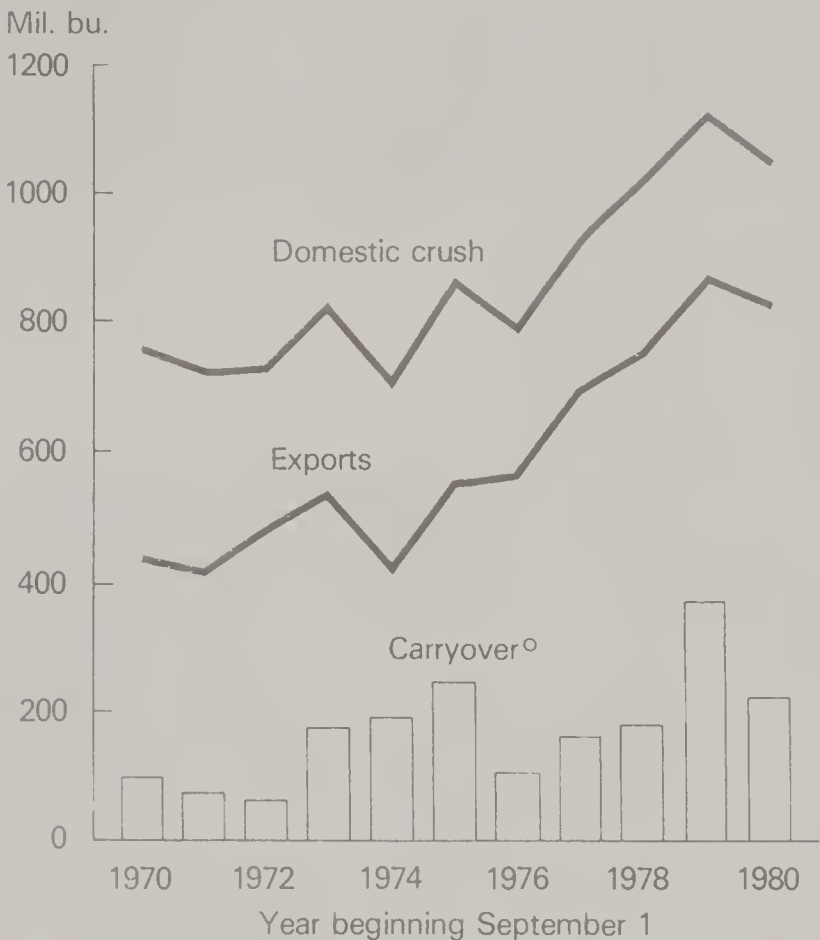
bushel. However, prices are likely to fluctuate widely during the season, so the key will be to judge the most opportune time to market your crop to beat the average and maximize your profit.

Prices could drop slightly if the soybean harvest is on schedule during the heavy October-December harvest season, with no weather complications. Conditions are right for a post-harvest price rise which could boost soybean prices above the current \$8 level. This is primarily because the 1980/81 U.S. soybean supply-demand is in relatively close balance.

WORLD SOYBEAN OUTPUT ALSO DOWN

	1978/79	1979/80 Est.	1980/81 Proj.
	<i>Million Metric Tons</i>		
United States	50.9	61.7	49.8
Canada . . . . .	.5	.7	.7
Eastern Europe . . . . .	.5	.6	.6
USSR. . . . .	.6	.4	.4
PRC.	8.3	8.3	8.7
Argentina	3.7	3.3	4.2
Brazil	10.2	15.0	15.2
Paraguay . . . . .	.5	.8	.8
All other countries . .	2.7	3.2	3.0
World total.	77.9	94.0	83.4

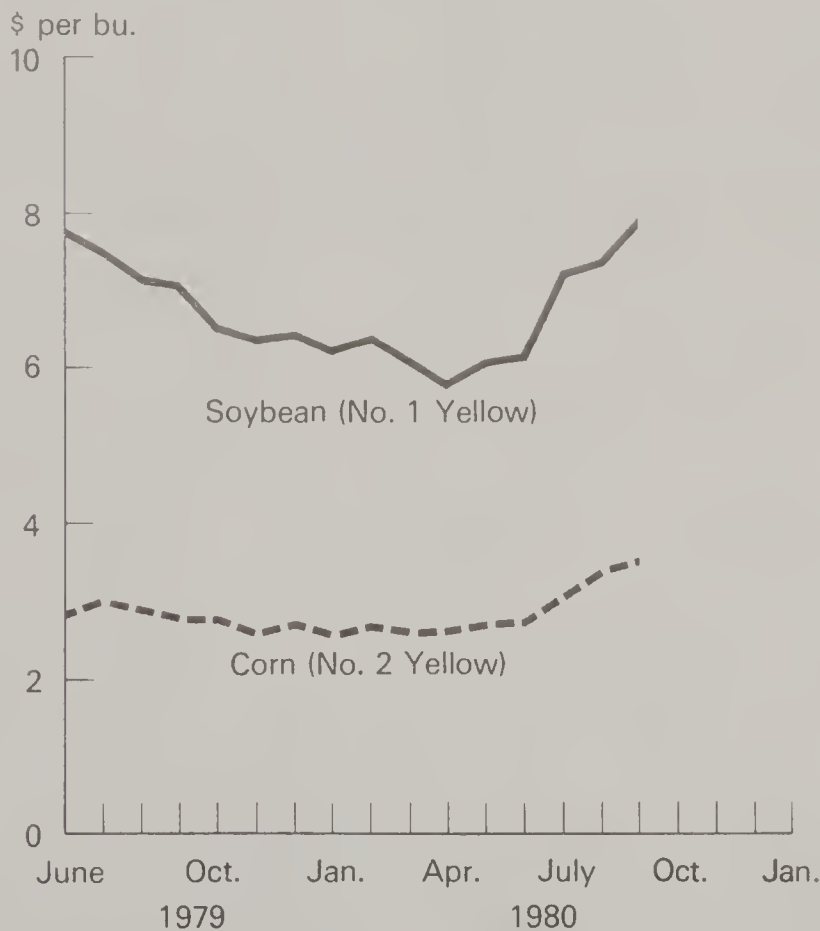
U.S. SOYBEAN USE STALLS;^Δ CARRYOVER TO DROP . . .



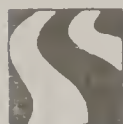
^Δ Excludes planting seed and soybeans used as feed.

[◊]End of marketing year shown.

. . . AS SOYBEAN PRICES* ADVANCE SHARPLY



*Cash prices at Chicago.



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Soybean futures prices for 1980-crop soybeans have been at very high levels all summer. The November 1980 CBOT futures price closed at \$8.72 per bushel on September 19. The March 1981 CBOT futures price stood at \$9.13 per bushel.

Store or Sell at Harvest

Marketing your 1980 soybean crop profitably depends on how well you gauge the price outlook. With short crops and increased production costs, these decisions are more important than ever. Here are several alternatives you may want to consider--other than selling your entire crop at harvest.

- Sell part of your crop from the combine at harvest and store the remainder for pricing later in the season, assuming storage space is available in your area. The CCC loan rate for 1980-crop soybeans is \$5.02 per bushel, compared with \$4.50 last season. By obtaining a CCC loan, you have cash on hand while you watch market developments.
- Store all of your crop and sell at intervals during the 6 to 8 months following harvest. Here again, you may obtain a CCC loan while your soybeans are in storage. Remember to figure storage costs. Any rise in these costs will affect your marketing plans.

- Forward contract some or all of your 1980 crop. This allows you to lock in on current futures prices if they meet your price expectations. So you can set the price you will receive for all or part of your crop--either by using cash contracts or by discreetly hedging in the futures market.

A word of caution: If you do decide to sell ahead, be sure your harvest will be sufficient to cover your contracts. Some farmers forward contract just enough of their crop to cover their "out-of-pocket" costs.

Cash contracting means booking your soybeans with the local elevator or other area buyer. This gives you the advantage of knowing the exact price you will get. It also sets the price before delivery of the crop and it sets a definite delivery point.

Hedging in the futures market allows you to set a price for your soybeans within a narrow range, giving you market flexibility. You can offset your contract at any time so you don't have to deliver soybeans as specified in the contract. Simply buy back the futures contract on the day you sell your beans in the local market and apply whatever profit (or loss) is received on the futures transaction to the price locally.